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## Community Development Bank unveils home mortgages

Business First of Louisville - October 7, 2005 by [Sarah Jeffords](#) Business First Staff Writer

[Louisville Community Development Bank](#), a for-profit financial institution that was founded in 1997, recently ventured into the home mortgage sector with the launch of an initiative called the Expanded Housing Opportunities Program.

Known as EHOP for short, the program is aimed at increasing homeownership levels and opportunities for wealth creation, said Pedro Bryant, bank president and CEO.

"Homeownership can be the true lifeblood of a community," he said. "It brings about pride in one's self, pride in the community. It increases the opportunity for wealth creation for a family, and, of course, the house can be passed on from generation to generation."

Any Jefferson County resident can take advantage of the EHOP program, Bryant added, but it is especially targeted to 12 designated low-income Jefferson County neighborhoods that the bank refers to as its investment areas.

The first EHOP mortgage offering is a 15-year, fixed-rate product with a loan-to-value ratio of 85 percent. (In other words, the bank lends 85 percent of either the sales price or appraised home value, whichever is lower.)

Although similar products are available in the marketplace, Bryant said, most have a loan-to-value ratio of 80 percent.

The EHOP program also is different in that the financial institution is offering a \$1,000 certificate of deposit to the first 25 home buyers in the program who pay their taxes and insurance on time for at least 24 consecutive months.

To qualify for the \$1,000 incentive, buyers must be purchasing their first house, and the home must be located within one of the bank's investment areas or any low-income census tract in Jefferson County.

The incentive is being funded in part by the fee income the bank earned from its involvement with New Markets Tax Credits, a federal program designed to spur economic development by enabling taxpayers who invest in community development entities to receive a credit against federal income taxes.

### 30-year mortgage product in the pipeline

The bank's goal is to close at least 25 mortgages by the end of the year. It already closed two transactions in the past month, both involving first-time home buyers, Bryant said.

Louisville Community Development Bank also plans to follow its 15-year product with a 30-year mortgage product, which is expected to be rolled out after the first of the year.

Along with issuing mortgages, bank officials are encouraging home buyers to undergo homeownership counseling to ensure that they understand the responsibility they are assuming.

Louisville Community Development Bank does not offer counseling, Bryant said, but bank officials are working to form partnerships with other community organizations that provide the service.

### **Mortgages in the works for a while**

Knowing that home mortgages were part of the financial institution's long-term plan, Louisville Community Development Bank officials allowed for extra computing power when the bank purchased a new information technology system in 2002.

The new service moved a step closer to fruition when the bank and its holding company, [Louisville Development Bancorp](#), approved a new strategic plan in January 2004 that outlined intentions for 15-year and 30-year mortgage products.

Since then, Bryant said, Louisville Community Development Bank has invested a significant amount of time and resources to prepare the mortgage offering.

There are several compliance and regulatory issues to consider when branching into the mortgage sector, such as fair housing laws and disclosure requirements.

Louisville Community Development Bank cross-trained its 13 employees and streamlined processes to ensure that the financial institution had a system in place for servicing the mortgages in-house.

Bryant said the bank also will continue its commercial lending practice, including small-business loans, development and construction loans, and loans for startup companies.

*Contact the writer via e-mail at [sjeffords@bizjournals.com](mailto:sjeffords@bizjournals.com).*

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